

TOP SECRET
SECURITY INFORMATION

17 January 1952

CIA No. 49504
Copy No. 46

TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

(including S/S Cables)

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Moscow Embassy suggests US break relations with Satellites: The Embassy in Moscow recommends that the United States consider breaking diplomatic relations with the Satellites which would at least deprive those governments of our tacit support for their claim of independence.

As long as diplomatic relations are maintained, the Embassy states, the USSR can continue to provoke and humiliate the United States as in the case of the Hungarian plane incident.

The Embassy questions whether it is worthwhile maintaining these missions, even though they have been considered as "morale boosters" for the population. The Embassy does not feel qualified to evaluate their importance as intelligence gathering points. (S S/S Moscow 1183, 15 Jan 52)

Comment: The intelligence gathering value of the United States missions in the Satellites varies with the restrictions imposed on the movements of mission personnel. In Poland and Czechoslovakia, there is virtual freedom of movement while in Hungary and Rumania US personnel are restricted to the capitals. The lack of US representation in Bulgaria and Albania has reduced the amount of intelligence reporting on those countries.

2. CZECHOSLOVAKIA. Afghan Minister thinks Czechoslovakia may link Slansky to US: During a farewell visit with the retiring Afghan Minister to Prague, the Polish Ambassador declared he had seen "proofs" implicating Slansky with the US. Minister Rafiq also informed US Ambassador Briggs that he was astonished at the intense hostility and bitterness toward the US displayed by Czech Foreign Minister Siroky during the Minister's last interview with him. Rafiq concludes that the Czechs may take some action against the US perhaps in connection with the Slansky case. (TS S/S Prague 530, 12 Jan 52)

Comment: The Communist official's remarks to the Afghan Minister are typical of Satellite efforts to vilify the US in the eyes of non-Communist peoples, but are probably not a reliable indicator of Czech intentions.

SECTION 2 (EASTERN)

3. EGYPT. Government confident of victory over British: According to the American Ambassador in Cairo, the Wafd government is becoming more confident each day that the present Egyptian commando tactics in the Suez Canal zone will eventually force the British to withdraw from the country. Even the King is being influenced by this attitude.

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The Ambassador reiterates that a compromise must now be made on the Sudan issue. He states that ex-Prime Minister Sirry Pasha has warned that if matters continue to drift as they are, even recognition of the title of King of the Sudan will not "buy" Egyptian acceptance of the Western defense proposals. (TS S/S Cairo 1058, 14 Jan 52)

Comment: The type of reasoning indulged in by the Wafd government has induced even the more moderate leaders to refuse to take action to stop deterioration in the internal situation.

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SECTION 3 (WESTERN)

5. GERMANY. Lifting of Allied embargo on German interzonal trade being considered: Allied officials in Germany are now considering whether or not to extend the present virtual embargo of interzonal German trade in retaliation against Soviet harassing of Berlin trade. The Soviet interference has been gradually reduced, particularly since early November, to a point where it now consists only of slow handling of Berlin export permits. West Berlin firms do not appear to be suffering from the present restrictions, and US officials feel that current airlift operations can be reduced and possibly soon ended.

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British and French officials have indicated their desire to permit the West Germans to renew trade with East Germany, while the US has generally urged that the present embargo be extended until there is a substantial Soviet compromise on the handling of the trade permits. Recently, however, US officials in Germany have suggested that the Allied embargo might now be dropped. They stress that it has become less and less effective because of the Soviet expectation that it will be of short duration, and because of the apparent East German ability to procure needed materials from other Western countries. (Factual data from: S Bonn 1110, 15 Jan 52; S S/S Berlin 914, 12 Jan 52)

6. DENMARK. Foreign Minister favors establishing NATO air bases in Denmark: Foreign Minister Kraft has informally told the US Ambassador that there will be little opposition to the establishment of NATO air bases in Denmark, provided a little time is allowed to prepare the government and the public. The conclusion of a projected bilateral treaty between Denmark and Norway on bases would facilitate public acceptance of NATO bases on Danish soil. (TS Copenhagen 504, 15 Jan 52)

Comment: Despite some pacifist sentiments and a general disinclination to "provoke" the USSR, Denmark is generally disposed to follow Norway's lead on NATO questions.

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OCI No. 3853
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SECTION 1 (SOVIET)

1. USSR. Soviet propaganda attacks United States policy aims: Initial Soviet reaction to President Truman's State of the Union message emphasized the rearmament angle and resulting economic difficulties in the Western camp. Pravda also saw beneath the President's "boasting and self-advertisement" an anxiety caused by the consequences of US foreign policy "which has aroused anti-American feeling throughout the world and aggravated the internal strife behind the scenes of the Atlantic Alliance." Izvestia asserted that the program as outlined by President Truman "lays down basic steps for the further militarization of the United States, and confirms the US intention to revive Japanese and West German militarism and to expand NATO's war preparations." The article added that "it is well known that US leading circles are not desirous of a reasonable settlement of the Korean conflict and wish expansion of the imperialist aggression in Asia, and Indochina in particular." (R Moscow 1170, 12 Jan 52; R FBIS, 14 Jan 52)

Comment: As indicated by radio treatment, this Soviet comment seems designed particularly for domestic consumption. The over-all stress on Western rearmament and "aggressive" policies may be intended to justify the continued military drain on Soviet economy. Moscow's attention to Western economic troubles coincides with growing emphasis on the World Economic Conference scheduled for April, at which the "economic consequences of rearmament" will also be considered by its pro-Soviet sponsors.

2. USSR makes bid for Indonesian trade: A Soviet bid for barter trade between Indonesia and the USSR has been received in Djakarta, according to the Indonesian Ambassador to Britain. (R FBIS, 15 Jan 52)

Comment: This report, if correct, is the first direct bid the USSR has made for Indonesian raw materials, although there have been recurring reports of informal trade feelers since the ECAFE conference in Singapore.

3. Comment on Soviet policy towards prisoners of war: The forthcoming UN meeting on war prisoners once again focuses attention on the detention of German and Japanese prisoners by the Soviet Union. In the past the Russians have refused to cooperate with the UN on the subject, and in the spring of 1950 the Soviet news agency proclaimed that all but "war criminals" had been released. Official Japanese figures indicate that

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340,000 prisoners are unaccounted for, but estimate that only 77,000 of these are living; while the official German estimate of prisoners now detained is placed at 70,000. This compares with Soviet reports that only 1,479 Japanese and 13,000 Germans are still detained. There is no evidence that the Soviet Union will change its position.

European observers and the US High Commissioner in Bonn are concerned, however, and do not rule out the slim possibility of a Soviet gesture toward release of the German prisoners. It is argued that in view of Niemoeller's visit, Soviet repatriation of the PW's is possible as an effort to regain the initiative in the battle for German unity and to bolster Niemoeller and the neutralist elements in Germany.

At the same time, there is confusion as to the present status of German prisoners. A UN observer reports that a "substantial number" of German PW's have been repatriated from the USSR in recent months and that there has been an estimated letter exchange totaling 15,000 in the "past few months." In response to inquiries by High Commissioner McCloy, Federal Government officials have denied the return of any PW's or the improvement in communications; another official, however, reportedly confirmed the repatriation of Germans and expressed the hope that it would not be jeopardized by publicity. The reported repatriation, however, could refer to the German contract laborers who were drafted during and after the war by the Russians, and it is also possible that the exchange of letters involved the "war criminals." There are no reports of sub rosa repatriation of Jap prisoners, but 8 Japanese were returned in September 1951.

If the Soviet Union makes any statement in connection with the forthcoming UN meeting, it can be expected to reiterate that it does not hold any prisoners, for any other compromise position would involve a considerable propaganda hurdle in view of its past insistence. A quiet repatriation of German prisoners or laborers may continue. (S Factual information from Delga 993, Paris, 12 Jan 52; Bonn 965, 5 Jan 52; Bonn 1034, 9 Jan 52)

4. INTERNATIONAL COMMUNISM. Moscow Economic Conference to serve two Soviet objectives: A Swiss source revealed that "economic consequences of rearmament" has been added to the agenda of the Moscow Economic Conference. Previous preparatory meetings of the sponsoring committee had limited the program to "East-West trade." (C Geneva 495, 10 Jan 52)

Comment: The USSR is utilizing the Moscow Economic Conference, which will be held from 3 to 10 April, to promote not only opposition to restrictions on trade with the Soviet Orbit, but also dissatisfaction with Western rearmament programs. Other aspects of the Soviet campaign

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against Western rearmament included diplomatic activity during the latter part of 1951 and disarmament proposals recently submitted to the UN.

5. HUNGARY. New VOA transmission effectively jammed: The recently resumed VOA broadcasts from Munich to Hungary were so successfully jammed on 13 January as to be completely unrecognizable. One program was obviously jammed by the use of special jamming facilities, whereas the other program was seriously interfered with by an adjoining Budapest station. (R Budapest 520, 14 Jan 52)

6. YUGOSLAVIA. Ambassador Allen speculates on causes underlying the request of high ranking Yugoslav officials to visit US industries: Ambassador Allen indicates that the Yugoslav request for assistance in arranging an American tour for three high Yugoslav officials sprang from their own initiative, and that, paradoxically, the Yugoslavs would doubtless prefer Ford Foundation to official sponsorship. Moreover, Allen suspects that one purpose of the visit may be a desire to explore the possibility of obtaining private capital for the Yugoslav investment program.

The possibility that a visit by these officials would open the way for a larger program involving groups of Yugoslav managerial leaders is also advanced by Allen. (C Belgrade 894, 15 Jan 52)

Comment: Rumors concerning an impending Yugoslav attempt to open up the country to foreign capital were reported in American newspapers last December. Yugoslav news organs, however, vehemently denied the desirability and the feasibility of private loans in Yugoslavia. Nonetheless, given the ideology of "ends justifying means," a failure to acquire sufficient capital assistance from official foreign sources may prompt attempts to attract foreign capital.

The Ford Foundation has expressed interest in the idea of sponsoring a tour of American industries by Yugoslavs, which would represent an additional step in closer US-Yugoslav relations.

7. Yugoslav press accords signing of ECA agreement strong coverage: Yugoslav news organs have given the signing of the economic cooperation agreement with the United States strong and favorable coverage, according to Belgrade Embassy reports.

The common thread in Yugoslav press coverage of the aid program revolves around the theme that the program is based on the principle of equality and is mutually beneficial to both parties. Moreover,

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the idea that international cooperation is possible without any concessions is highlighted by the press. (S Belgrade Unnumbered, 11 Jan 52; R FBIS, 14 Jan 52) -

Comment: Yugoslav leaders may feel that publicity on closer Yugoslav-American relations tends to dull the edge of popular resistance to the regime. However, the emphasis given to the mutual assistance aspects of various aid agreements with the West, indicates an effort to counter any impression that the acceptance of American aid implies a critical weakness within the regime or is the source of recent relaxations of many control measures.

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SECTION 2 (EASTERN)

1. IRAN. Mossadeq continues adamant on the oil dispute: Prime Minister Mossadeq has indicated that he considers politically inadvisable the acceptance of any solution to the Anglo-Iranian dispute proposed by the International Bank which does not represent a clear-cut victory for Iran over the British. [redacted] he believes that his victory in the current elections will force the British to accept Iranian terms. [redacted] 25X1A

Comment: Mossadeq is aware that his political stature depends on an unqualified victory for Iran in its oil dispute. His recent demand that the British close their consulates in Iran indicates that he intends to use his anti-British stand to secure a vote of confidence at the Parliamentary interpellation on 22 January. Although he appears to be genuinely concerned over the serious financial condition of his government, there is no indication that he will agree to any compromise on the oil dispute.

2. INDIA. Communists reportedly to move headquarters from Bombay to Calcutta: The Communist Party of India will move its headquarters from Bombay to Calcutta within the next several months. Communist activity appears to be considerably stronger in the Calcutta area, where early election returns indicate that the Communists may be scoring successes.

The US Consul General in Calcutta feels that in view of Communist agitation in the frontier areas near Sikkim and Bhutan, increased Communist Chinese activity in Tibet, and reported Indian Communist plans for armed violence in the Assam areas near Burma, the establishment of headquarters in Calcutta would greatly facilitate Communist Party communication and control in these areas. (S Calcutta 318, 12 Jan 52)

3. CHINA. Tibetan Army and police reorganization begun: Communist authorities have disbanded the Tibetan Army and are reorganizing the police in Lhasa and other main towns, according to the Indian press. In place of the old army, the Communists have raised a small force of young Chinese-trained Tibetans; the old police are gradually being replaced by newly-trained Tibetans. Most of the replacements are reportedly from Chinese-influenced Sikang (Inner Tibet). (U New Delhi 2379, 8 Jan 52)

Comment: The May 1951 Agreement covering the Chinese takeover of Tibet called for the reorganization of the Tibetan Army and its incorporation into the Chinese Communist Army. According to this report, Communist "reorganization" of the 10,000-man army (which was allegedly reduced to 5,000 while resisting the Communist advance) has meant its dissolution,

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not merely its subordination to Chinese command. The Chinese are taking drastic measures to secure their control of Tibet as an area previously within the sphere of a non-Orbit power, India. Communist handling of the army and police question suggests that security considerations nullify Point 3 of the May Agreement which accords Tibetans "the right of exercising national regional autonomy...."

4. Communists capture Tungtou Island: Tungtou Island off the coast of Chekiang Province, defended by 500 Nationalist guerrillas, was invaded by the Chinese Communists on 11 January. The assault wave consisted of two regiments in 50 junks escorted by 20 armed motor junks. Two additional Communist battalions landed on 12 and 13 January, and on 14 January the Chinese Nationalist forces withdrew. (S USARMA, Taipei, CF-09 and CF-11, 15 Jan 52)

Comment: The capture of Tungtou is considered a prelude to an attack on the larger Nationalist-held island of Ta-Chen, nearby, which is believed to be garrisoned by regular Nationalist troops. Several sources have reported that the Communists intend to capture the off-shore islands, which have been used by Nationalist guerrillas as bases for operations against the mainland and as listening posts.

5. Communists to begin building new railroad in West China: The Communists are now organizing personnel and gathering materials to begin construction of the railroad between Szechwan and Kansu Provinces, according to [redacted]. The equivalent of US 10 million dollars will be allocated for work on this line in 1952. The deadline for completing the railroad is the end of 1954. [redacted] 25X1A

Comment: In 1950 the Communist press reported that this line was under survey, and a recent report stated that most of the survey was completed. Two east-west lines (in Kansu and Szechwan Provinces) now under construction would be linked by this new road.

6. KOREA. ROK "espionage" case has strong political ramifications: A Chinese Nationalist press commentary on the recent arrest of ROK officials suspected as Communist spies reports that President Rhee has interceded in the affair to the extent of requesting that the accused be tried in a civil court rather than in a military one as originally intended. A Rhee spokesman, additionally, expressed the opinion that the case has a "bearing on the current political situation." (U FBIS, 14 Jan 52)

Comment: [redacted] the Republic of Korea

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reveal that the recent arrests were made by a colonel of the ROK counter intelligence corps at the behest of two Cabinet members -- Yi Ki-pong, Minister of Defense, and Ho Chong, Acting Prime Minister. The primary aim of the arrests allegedly was to smear President Rhee's newly formed "Liberal" Party -- and one of its principal leaders, Cho Pong-am -- with the Communist brush. Most of the arrested men are in some degree connected with the new party.

While the motives of the instigators Yi and Ho are not immediately apparent, it is probable that personal advancement and urging from the anti-Rhee Democratic Nationalist Party are primary factors.

7. JAPAN. Japanese scheduled to attend POW commission meeting in Geneva: Kyodo News Agency announced on 15 January that the Japanese representatives to the UN Special Prisoner of War Commission meeting scheduled for 21 January in Geneva are expected to appeal for an early return of the Japanese prisoners as well as to seek clarification on their numbers and present status. The four delegates include the chief of the Welfare Ministry's Repatriation Relief Board and the chairman of the National Council for Acceleration of the Repatriation of Japanese Overseas. (U FBIS, 15 Jan 52)

Comment: If considerable publicity were given in Japan to an appeal for the return of Russian-held prisoners, the edge of the present Soviet offensive to neutralize Japan would probably be dulled. That the Japanese are still sensitive on the score of these prisoners is attested to by the results of a Jiji News Agency poll announced on 4 January. The repatriation of overseas Japanese was a close second out of eleven possible choices in answer to the question: "What do you want first from the signatory and nonsignatory countries after the coming into force of the peace treaty?"

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SECTION 3 (WESTERN)

1. GERMANY. British Foreign Office opposes sending an emissary to East Germany: The British Foreign Office is cool to the proposal, advanced by the UN Commission dealing with matters of German unification, to send an emissary to East Germany to arrange the entrance of an investigating commission. It fears that West German "passions" for unification may be aroused to where interest in Western integration is diminished. Because of East Germany's avowed opposition to any UN investigation, the Foreign Office fears that Allied sponsorship of an emissary may lead West Germans to conclude that the Allies themselves attach primary importance to unification.

A US Embassy official in London states that the favorable propaganda effect of East German rejection of an emissary would be outweighed by the harmful effect on German integration into the Western defense system. He feels that a written request should be submitted instead, since its rejection would be far less dramatic. (S London 3036, 10 Jan 52)

Comment: Allied diplomats fostered the UN German unity commission primarily to counteract East German unity proposals which were embarrassing Allied-West German relations. Any comprehensive investigation by the commission might create confusion in West Germany and delay West German re-armament -- which is the East German aim.

2. Observers see attempt to split Catholics and Protestants in East Germany: Army observers in Germany, noting that the Socialist Unity Party (Communist) in East Germany has called for comparative statistics on the number of Catholics, including priests, in East Germany in 1939, 1946, and 1951, interpret this action as preparatory to an attempt to exploit Catholic-Protestant differences in East and West Germany. These observers believe that although there are no indications that a suppression of the Catholic Church is contemplated, repressive measures against the Catholics could be intended to gain the sympathy of the Protestant majority for the Communist regime. The observers see a Communist campaign to woo West German Protestants from "their present neutralism to unequivocal support of the Soviet peace campaign." (S CINCEUR Heidelberg Weeka 2, 14 Jan 52)

Comment: Persecution of the Catholics is not likely to increase the popularity of the Communist regime in East Germany. In West Germany the minor segments of the Protestant Church which are neutralist may eventually be won to the Communist view, but not particularly as a result of Catholic persecution in East Germany.

3. Contractual negotiations slow down: The Allied-German steering committee has set a new deadline of 2 February for the completion of the

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annexed conventions to the General Contractual Agreement. Recent complications prevented the negotiators from meeting their 15 January deadline. The committee has agreed to try once more to reconcile Allied-German differences regarding the Status of Allied Troops Convention before referring it to the High Commissioners and the Federal Chancellor for further discussion. (S Bonn 1109, 14 Jan 52)

Comment: Chancellor Adenauer originally set the 15 January deadline so that the Allied Foreign Ministers would have two weeks to study the convention before the NATO meeting in Lisbon. Since the Lisbon meeting has been postponed, the change in deadlines will not materially affect the momentum toward West German rearmament.

Although the Status of the Allied Troops Convention has been "70 percent" agreed upon, a temporary deadlock has been caused by French insistence that Allied authorities retain the right to withdraw from German criminal jurisdiction cases involving violations of the security of Allied forces.

4. FRANCE. French appointment of diplomatic representative to Saar is imminent: The US Embassy in Paris has been informed that the change from a French High Commissioner to a diplomatic representative in the Saar will take place before the end of the month and "in a most inconspicuous manner." The Foreign Office has not yet decided the exact title to be conferred on the French High Commissioner. (C Paris 4181, 15 Jan 52)

Comment: France has been moving quietly toward this shift despite Foreign Minister Schuman's awareness that it is likely to have loud repercussions in Germany at a time when an anti-French flare-up could adversely affect EDF negotiations. Although the change will not produce apparent modifications in French-Saar relations, it will promote an international status for the Saar, presumably the chief French objective in this matter.

The US High Commissioner in Germany has emphasized that the US should not recognize the change, and that agreements like the one proposed to cover US military facilities in the Saar should be negotiated through the French representative.

5. BELGIUM-CZECHOSLOVAKIA. Belgian Charge terms charges against military attache false: Following the expulsion of the Belgian Military Attache in Prague on charges of receiving secret information, the Belgian Charge has termed the accusation ridiculous and completely false. The charge assumes that his government will promptly expel the Czech Military Attache in Brussels. In view of the falseness of the latest Czech accusation and in view of the size of the Czech mission in Brussels, the charge stated that the Czechs seemed in a "reckless mood" in their relations with the West. (C Prague 526 and 528, 10 and 11 Jan 52)

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Comment: Belgium has not yet indicated what action will be taken on this Czech move. British and American Embassy personnel have also been accused of espionage in the past month.

6. SPAIN. Government reportedly misrepresents motives and conditions of US aid: The US State Department has expressed interest in reports that the Spanish Government is misrepresenting the motives and conditions of proposed American aid to Spain and that the Spanish people are not being informed as to US objectives in seeking a military agreement with Spain.

Spanish propaganda has treated impending US aid and military negotiations as a personal victory for Franco and as vindication for his intransigent refusal to alter the internal policies of his regime, as well as overdue recognition by the US of the military value of Spain. The controlled press has strongly implied that economic aid will not necessarily depend upon military considerations and that every sector of the country's economy will receive immediate aid in major proportions.

The emphasis on economic aid and official expressions to US representatives of impatience over its delay reflect the political importance to the regime of concrete evidence of US assistance and may result in serious disappointment with the results of future negotiations.

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8. CENTRAL AMERICA. El Salvador offers Costa Rica two million dollars in goodwill gesture: The Costa Rican Foreign Minister has confirmed earlier reports that El Salvador has offered his government an unsolicited loan of two million dollars as a "gesture of good will." The Foreign Minister told the US Embassy at San Jose that El Salvador will permit Costa Rica to decide the use of the money and the terms of interest and repayment if the loan is accepted. (C San Jose 801, Section II, 10 Jan 52)

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Comment: The US Embassy has reported rumors that the offer of the loan, unprecedented among the Central American states, was conceived by Guatemalan Foreign Minister Galich, and that El Salvador is carrying it out, with Galich's advice, as proof of the value of the newly-established Organization of Central American States. Costa Rica has been noticeably apathetic about the Organization and about close ties with the other Central American countries which the Costa Ricans consider racially and otherwise "inferior." It is possible that El Salvador may hope to "buy" with the loan Costa Rica's cooperation in strengthening the Organization and building a united Central American "bloc."

9. CUBA. Dissatisfaction growing among Communist Party leaders: The leaders of Cuba's Communist Party are reportedly quarreling among themselves and evincing increasing discontent with the leadership of Secretary General Blas Roca.

One of the basic causes for dissatisfaction appears to stem from resentment to certain changes in the party leadership of several provinces. Blas Roca has been responsible for appointing more trustworthy men to replace officials accused of mismanagement of party funds, selfish behavior, and lack of political vision. Another contributory factor to the current unrest has been the conflicting desires of several Communists to be nominated not only as candidates for the coming congressional elections in June, but also as candidates for positions in the party hierarchy. A third reason has been the failure of the party to register more voters during the October 7-21 affiliation period. Dissatisfied elements headed principally by Cesar Aguilar, Joaquin Ordoqui, and Manuel Luzardo have openly and strongly criticized Roca, saying that the party now appears to the public as one in liquidation, since it has barely qualified as a legal party and has virtually lost a considerable part of its bargaining power. The discontent is further evidenced by indications of a rift between Roca and Lazaro Pena, Secretary General of the Communist Confederation of Cuban Workers who has stated that he "does not want to be used as a scapegoat by Blas Roca any longer."

Blas Roca will find it difficult to subdue these rebellious elements and unify the party so as to ensure its survival as an influential entity in Cuban politics. (Factual data from: S SO 73795, Havana, C-3, 3 Nov 51; C Havana 891, 30 Nov 51; [redacted] C Havana 909, 4 Dec 51; [redacted])

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10. CANADA. Cabinet rejects NATO request for economic aid to Europe: The Canadian Cabinet on 12 January rejected the TCC's recommendation that Canada extend 200 million dollars in economic aid to Europe in 1952. Minister of External Affairs Pearson was unable to override the opposition of the Minister of Finance, whose views were accepted with little debate.

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The Cabinet has indicated that Canada might provide some additional military aid to Europe out of its 2.5-billion-dollar defense budget for the fiscal year 1952-1953. The American Embassy in Ottawa points out that this suggested transfer would mean only the diversion of some defense production to NATO without any increase in the Canadian or the total NATO effort. (S Ottawa 116, 15 Jan 52)

Comment: This unexpected action may be a government attempt to frustrate opposition efforts to make mounting domestic inflation a major political issue in a year which may see a general election.

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